

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 EA-12 NEA-10 IO-14 ISO-00 TRSE-00
COME-00 SSO-00 OIC-02 AGRE-00 L-03 FRB-01 OMB-01
ITC-01 SP-02 AID-05 CIAE-00 INR-10 LAB-04 NSAE-00
SIL-01 STR-07 CEA-01 SS-15 ICAE-00 INRE-00 /110 R

DRAFTED BY EB/ISM: Z N MAN:JG
APPROVED BY EB/ISM: ROG DEN
TREASURY:BHACK
COMMERCE:FSI ESSIGER
-----025974 141911Z /41

O R 141803Z JUL 78
FM SECSTATE WASHDC
TO USMISSION GENEVA IMMEDIATE
INFO ALL OECD CAPITALS
AMEMBASSY BANGKOK
AMEMBASSY COLOMBO
AMEMBASSY KUALA LUMPUR
AMEMBASSY JAKARTA
AMEMBASSY MOSCOW
AMEMBASSY SINGAPORE

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E.O. 11652: N/A

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SUBJECT: SECOND UNCTAD CONSUMER MEETING ON RUBBER, JULY 3-7
REF: GENEVA 10402

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AT SUBJECT MEETING, THE US EXPRESSED ITS INTENTION
TO SUBMIT A PAPER CLARIFYING ITS VIEWS ON A NATURAL
RUBBER STABILIZATION AGREEMENT (REFTEL, PARA 9). THIS
PAPER WOULD BE APPENDED TO THE CONSUMER DOCUMENT, WHICH
EMERGED FROM THE JULY 3-7 MEETING, BEFORE THE LATTER IS
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CIRCULATED TO PRODUCERS. THE PAPER IS AS FOLLOWS:

ELABORATION OF US VIEWS ON THE PROPOSALS OF
MAJOR CONSUMING NATIONS ON AN
INTERNATIONAL NR STABILIZATION AGREEMENT

THE UNITED STATES SUPPORTS THE PRINCIPLES SET OUT IN

THE PAPER ENTITLED "PROPOSED ELEMENTS FOR ECONOMIC PROVISIONS OF A NATURAL RUBBER PRICE STABILIZATION AGREEMENT." IN ADDITION, WE OFFER THE FOLLOWING ELABORATION OF OUR VIEWS ON SOME OF THESE PROPOSALS.

BUFFER STOCK OPERATIONS:BASED ON ANALYSIS OF RUBBER MARKET CONDITIONS AND TRENDS, INCLUDING ECONOMETRIC STUDIES, AN

INTERNATIONAL BUFFER STOCK, EQUIVALENT TO 700,000 METRIC TONS OF NATURAL RUBBER, SHOULD BE THE SOLE INSTRUMENT OF PRICE STABILIZATION.

FINANCING

THE INTERNATIONAL BUFFER STOCK SHOULD BE FINANCED FULLY BY DIRECT GOVERNMENT COMMITMENTS OF CONTRIBUTIONS TO THE AGREEMENT. COMMERCIAL BORROWING WOULD ALSO BE ALLOWED ON THE BASIS OF THESE FINANCIAL COMMITMENTS, AND LIENS ON ANY STOCKS, IN ORDER TO PURCHASE A PORTION OF THE 700,000 METRIC TONS OF RUBBER.

INDICATOR PRICE

AT THE PRODUCER/CONSUMER MEETING IN AUGUST/SEPTEMBER, THE US INTENDS TO INTRODUCE A PROPOSAL FOR A TRADE WEIGHTED COMPOSITE INDICATOR PRICE WHICH WILL BALANCE THE NEED FOR UNCLASSIFIED

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SIMPLICITY WITH THE NEED FOR AN APPROPRIATE INDICATOR OF PRICE MOVEMENTS OF VOLUME GRADES. THERE SHOULD BE NO FIXED PRICE DIFFERENTIALS BETWEEN GRADES. THE AGREEMENT SHOULD ASSURE THE AVAILABILITY OF NECESSARY MARKET INFORMATION ON ALL GRADES FROM PARTICIPATING GOVERNMENTS.

LOCATION OF STOCKS

STOCKS SHOULD BE LOCATED IN CONSUMING AS WELL AS PRODUCING COUNTRIES.THE US EXPECTS THAT AN APPROPRIATE PORTION OF THE STOCKS WOULD BE LOCATED IN THE UNITED STATES.

SUPPLY AVAILABILITY

THE UNITED STATES SUPPORTS MEASURES TO ASSURE SUPPLY AVAILABILITY, PARTICULARLY WHEN PRICES ARE ABOVE THE OUTER STABILIZATION BAND. RECOGNIZING THAT EXPORT TAXES IN SOME PRODUCING COUNTRIES ADVERSELY AFFECT SUPPLIES AND WORK AT CROSS PURPOSES WITH THE OBJECTIVES OF THE AGREEMENT, THE US FAVORS THE ELIMINATION OF THE PROGRESSIVITY AND A REDUCTION IN THE OVERALL RATE OF THESE TAXES.

IN ADDITION, THE UNITED STATES BELIEVES THAT A NATURAL RUBBER PRICE STABILIZATION AGREEMENT SHOULD CONTAIN PROVISIONS RECOGNIZING THAT DOMESTIC FISCAL AND ADMINISTRATIVE POLICIES ON NATURAL RUBBER AFFECTING SUPPLY AND PRICE SHOULD BE CONSISTENT WITH THE OBJECTIVES AND OPERATION OF THE AGREEMENT. THESE PROVISIONS SHOULD INCLUDE PRIOR CONSULTATIONS WITHIN THE RUBBER COUNCIL CONCERNING ANY CHANGES IN SUCH POLICIES.

OTHER MEASURES

THE RUBBER AGREEMENT SHOULD PROVIDE AN INSTITUTIONAL FRAMEWORK TO FACILITATE PROGRAMS AND POLICIES AIMED AT IMPROVING THE EFFICIENCY AND DEVELOPMENT OF THE NATURAL
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RUBBER INDUSTRY. THE AGREEMENT SHOULD PROVIDE FOR ESTABLISHMENT OF A COMMITTEE ON PRODUCTION AND MARKET DEVELOPMENT WITH AN APPROPRIATE STAFF OF EXPERTS TO UNDERTAKE ECONOMIC ANALYSIS AND TO FACILITATE MARKET RESEARCH AND DEVELOPMENT.

WITH RESPECT TO THE DRAFT PROPOSALS OF PRODUCING COUNTRIES, IT IS RECOGNIZED THAT SPECIFIC PROJECTS HAVE YET TO BE IDENTIFIED AND THERE HAS BEEN NO DEMONSTRATION THAT PROSPECTIVE FINANCING FROM INTERNATIONAL FINANCIAL INSTITUTIONS, THE PRIVATE SECTOR AND PRODUCER COUNTRY GOVERNMENTS WILL BE INADEQUATE. HOWEVER, IN THE EVENT THAT SUCH FINANCING FACILITIES ARE INADEQUATE OR INAPPROPRIATE, AND SPECIFIC PROJECTS OF BENEFIT TO ALL MEMBERS CAN BE AGREED, THE US IS WILLING TO JOIN OTHER CONSUMERS AND PRODUCERS IN FINANCING APPROPRIATE MEASURES IN A RUBBER AGREEMENT. CHRISTOPHER

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